APR 12
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Google used its display market dominance to boost its ad buying business, new documents reveal

Article

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Google is in hot water again after it unwittingly confirmed suspicions that it used its dominant position in the display ad market to give preference to itself and its clients in a program known as “Project Bernanke.” This confirms the very suspicions at the heart of the Texas-led antitrust suit that was filed against the tech giant in December. Over the weekend, Google accidentally filed several unredacted court documents in response to the suit, which were viewed by The Wall Street Journal before being refiled with redactions.

Here’s a breakdown of the findings:

- **What we already know:** Google has products in all parts of the programmatic media buying process—it aggregates demand, aggregates supply, and runs an ad exchange where various demand sources compete to win auctions. And because Google runs the exchange, it has access to data from all the bids that run through the network, including data from its competitors.
- **What the documents reveal:** Project Bernanke used data that Google gathered from the ad exchange to help it get the best possible deals for itself and its clients. Because Google knew exactly how much ads were selling for, it could bid the bare minimum amount it knew was needed to win the bid. The documents show that Google expected Project Bernanke to generate $230 million in revenues in 2013. That accounted for 8.6% of Google’s net US display ad revenues for 2013, which we estimate were $2.69 billion. (Of that, $1.89 billion came from Google’s network members business, the part that’s currently under antitrust scrutiny.)
- **How did it hurt competitors?** Rival ad buyers either had to pay more to win a bid—or they simply lost bids more often. The program also hurt publishers by depriving them of income they may have otherwise been able to get from competitors’ larger bids.

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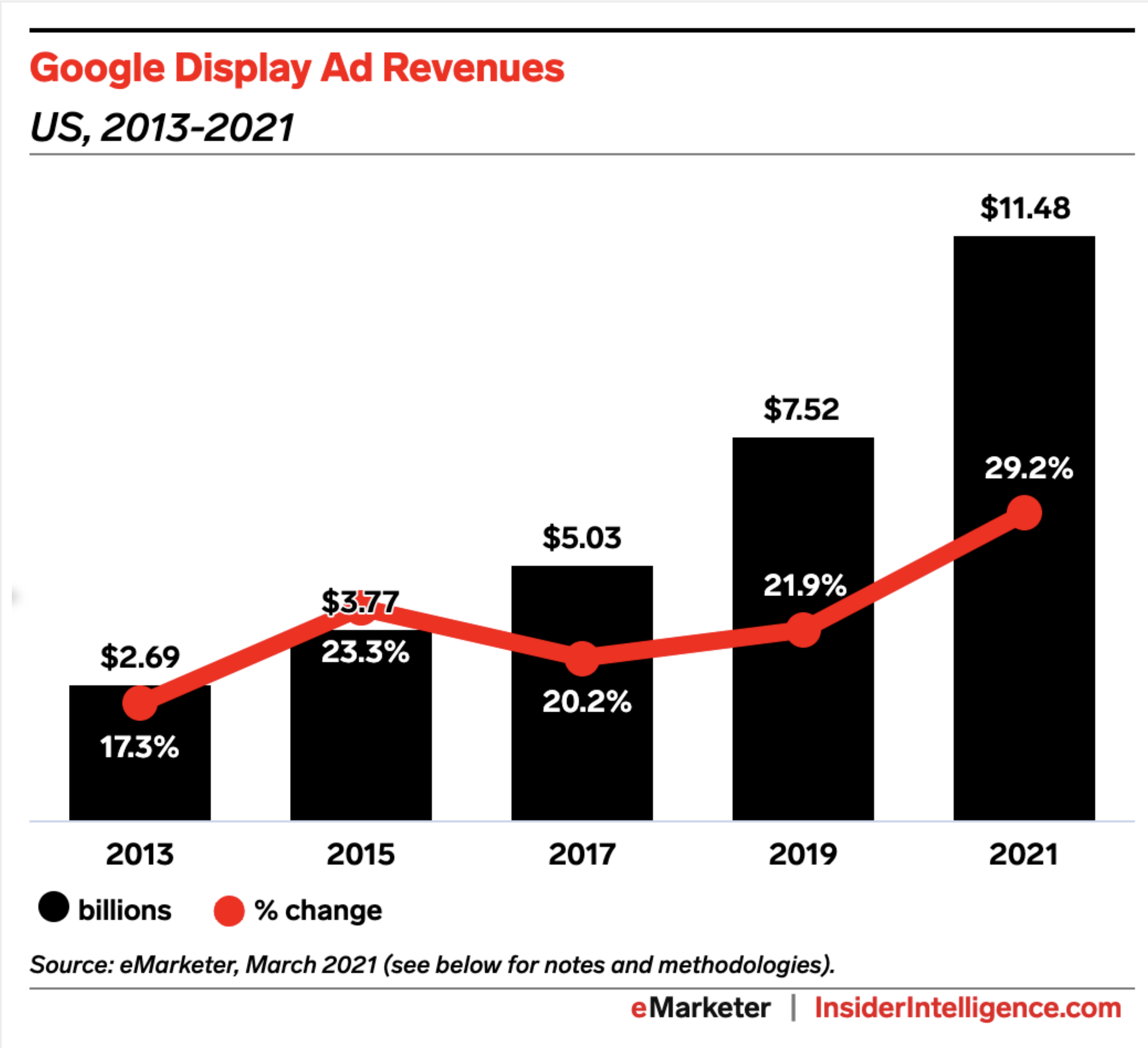

The filing certainly gives a lot more credibility to the Texas-led suit's allegations, but it's uncertain just how badly the suit will hurt Google. That's because the tech giant already appears to be limiting its off-property display business, likely in preparation for the changes the government could impose on it. Its decision to stop supporting third-party cookies on Chrome, for example, will decrease the amount of data available to base ad buys on, making its display business less valuable. Google may be preemptively making these changes to please antitrust regulators and fend off unwanted changes to its search ad business, which

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pulls in more than double the revenues brought in by its display business, according to Nicole Perrin, eMarketer principal analyst at Insider Intelligence. We already expect Google's share of the display market to decline over the next few years as competitors like Amazon and streaming services grow more powerful—and it's certain to suffer even more from this, whether from voluntary pullback or government action.

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